

FACT SHEET OPERATIONS AND MAINTENANCE PROGRAM

Ex-Im Bank's support of operations and maintenance contracts is designed to provide much needed financing for a growing U.S. market overseas. Although U.S. companies already have an excellent reputation in this area, foreign subsidized competition has made Ex-Im Bank financing critical for U.S. firms to compete for contracts.

To be eligible for Ex-Im Bank support, the operations and maintenance contract must provide a long term benefit to the owner, such as training of local personnel to enable them to take over the operation or establishing permanent systems and procedures to assure good operation. Ex-Im Bank will support operation and maintenance contracts for new or established projects.

Foreign operations and maintenance work involves sending qualified U.S. personnel to conduct the day-to-day activities of an operating facility. For a manufacturing plant, production activities typically include start-up and shutdown of production machinery; receiving, storing, and maintaining flow of raw materials; product quality testing and control; assuring operating safety; controlling costs; and taking protective action in emergencies.

Maintenance activities typically include repair of equipment, preventive and predictive maintenance, lubrication programs, and the execution of small capital projects. The operations and maintenance contractor develops permanent systems and procedures for carrying out these activities, and conducts the training of local personnel to a level of competence enabling them to take over the operation.

Rehabilitation work of a capital nature, including the upgrading or replacement of old equipment, is already covered under Ex-Im Bank's standard Direct Loan and Guarantee Programs.

WHAT IS COVERED

Ex-Im Bank will support the U.S. contract price of the operations and maintenance contract, including the costs of services performed by U.S. based personnel working at the site, the related U.S. home office costs associated with executing the contract, and reasonable quantities of U.S. produced spare parts.

Items which are not eligible for inclusion in the U.S. contract price and therefore not supported by Ex-Im Bank, include ineligible foreign content associated with the contract, raw materials, operating supplies, salaries of project owner's personnel, and local (host country) costs such as materials and labor associated with implementing the operations and maintenance contract.

In accordance with Ex-Im Bank foreign content policy, incidental local expenses associated with the U.S. services that are invoiced in dollars by the U.S. contractor, such as lodging, living expenses, local transportation expenses, secretarial or minor administrative expenses, will be treated as eligible foreign content.

The buyer must be a creditworthy entity in a country eligible for Ex-Im Bank financing assistance.

FINANCING TERMS

Ex-Im Bank will support, through direct loans, or guarantees, up to 85 percent of the U.S. contract price of the operations and maintenance contract, or 100 percent of the actual U.S. content of the contract (U.S. contract price, less eligible foreign content), whichever is less, with repayment terms of up to five years. A minimum 15 percent cash payment must be made to the U.S. company before, or concurrently with, the loan disbursement. Ex-Im Bank will apply its usual criteria when considering an application.

Repayment term is related to the export value of the contract, according to the following schedule:

<u>Eligible U.S. Costs</u>	<u>Maximum Repayment Period</u>
Less than \$80,000	Up to 2 years
\$80,000 to \$174,999	Up to 3 years
\$175,000 to \$349,999	Up to 4 years
\$350,000 and over	Up to 5 years

Although benefits may be long lasting, repayment of obligations should commence in a reasonable time period. Generally, repayment commences six months after the contract expires. Depending on the nature of the project and terms of the contract, Ex-Im Bank may break up an unusually lengthy contract period into more reasonable time periods and loan tranches. Ex-Im Bank may wish to limit the period for which it commits initial support to something less than the full contract term. For instance, if an operations and maintenance contractor signs a five-year contract, Ex-Im Bank may wish to cover only the first two or three years initially and reserve the right to alter its position at renewal date.

INTEREST RATES AND FEES

Interest rates and fees under the Operations and Maintenance Program conform to those under the Direct Loan or Guarantee Program, whichever is used. In the case of a loan, interest will be fixed, based on Ex-Im Bank's lending rate at the time of final authorization of the loan. Interest rates on loans guaranteed by Ex-Im Bank are negotiated between lender and borrower.

MORE INFORMATION

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